



Thermal Energy Reports Third Quarter Financial Results and Growing Order Backlog

OTTAWA, ONTARIO – April 18, 2017 – Thermal Energy International Inc. (“Thermal Energy” or the “Company”) (TSXV: [TMG](#)), a global provider of proprietary energy efficiency solutions to the industrial, commercial and institutional sectors, today announced its financial results for the three months (Q3) and nine months (YTD) ended February 28, 2017. All figures are in Canadian dollars.

Highlights:

- Order backlog was \$8.0 million as at April 13, 2017, an increase of 70% from a year ago;
- Quarterly revenue of \$3.2 million was comparable to Q3 of last year. YTD revenue remains 1.9% higher than a year ago;
- Heat recovery sales comprising a larger percentage of Q3 revenue resulted in lower gross profit, EBITDAS and a net loss for the quarter;
- YTD gross profit, EBITDAS, and net income increased 6.6%, 53.5% and 533.3% respectively;
- Working capital improved to \$1.2 million as at February 28, 2017, up \$238 thousand since May 31, 2016;
- Net cash position was \$2.6 million at quarter end, an increase of \$1.4 million since May 31, 2016;

“Thermal Energy International is well-positioned to capitalize on the strong market conditions we are witnessing around the world,” said William Crossland, CEO of Thermal Energy. “Our order backlog is up 70% compared to this time last year. Our revenue and profitability for the year-to-date are ahead of last year’s pace. In fact, our gross profit for the year-to-date was the highest on record for the first nine months of our fiscal year. We have no debt and our working capital and net cash balance are up from the end of fiscal 2016. We have a growing international sales force selling well-proven products with applications in a multitude of industries. In addition to increasing our penetration with our existing products, we remain on the lookout for other complementary products and services that we can offer to our broad, existing client list.”

Summary Financial Results:

In thousands except % data	3 months ended Feb. 28, 2017	3 months ended Feb. 29, 2016	9 months ended Feb. 28, 2017	9 months ended Feb. 29, 2016
Revenue	\$3,225	\$3,221	\$8,438	\$8,279
Gross profit	\$1,675	\$2,029	\$5,060	\$4,746
Gross margin	52.0%	63.0%	60.0%	57.3%
Operating expenses	\$1,720	\$1,571	\$4,897	\$4,735
EBITDAS	\$(2)	\$505	\$287	\$187
Net income (loss)	\$(56)	\$418	\$39	\$(9)
Adjusted cash flow	\$20	\$496	\$215	\$245

In thousands	As at Feb. 28, 2017	As at May 31, 2016
Working capital	\$1,214	\$976
Net cash position	\$2,584	\$1,143

Q3 2017 Financial Review:

Revenue for the quarter was \$3.2 million, which was comparable to the revenue in the third quarter of last year. Higher sales of heat recovery systems, which were up 9.7% compared to the same quarter a year ago, were offset by a 25.4% decrease in GEM™ sales.

The third quarter included heat recovery revenues from three ongoing hospital projects, as announced July 25, 2016, August 4, 2016 and November 2, 2016 respectively, as well as the partial installation of a heat recovery system at a global brewing company, as announced August 8, 2016 and the early stages of an installation at a leading producer of industrial and fuel alcohols, as announced September 28, 2016.

GEM revenues in the quarter included the conversion of one site of a Fortune 500 food and beverage company, one hospital conversion, and revenues from further sales to a major performance materials company, as mentioned in the news release dated September 20, 2016.

Gross profit for the quarter was approximately \$1.7 million, down 17.4% from the gross profit of \$2.0 million in the third quarter of last year. As a percentage of sales, gross profit for the quarter was 52.0% compared with 63.0% in the third quarter a year ago. The decrease was attributable to a higher percentage of revenues from heat recovery systems and current heat recovery projects carrying lower margins than in the previous year.

Profitability year-to-date remains well ahead of a year ago, however, third quarter EBITDAS was negative \$2 thousand and the Company had a net loss of \$56 thousand. In the third quarter of last year, the Company had EBITDAS of \$505 thousand and net income of \$418 thousand. The lower EBITDAS and resulting net loss for the third quarter of this year was primarily attributable to the impact of the product mix and project timing on gross profit as described above, as well as higher operating expenses due to recruitment costs associated with the addition of staff, and the effect of foreign currency exchange fluctuations.

Adjusted operating cash flow (defined as net income for the period, plus items not involving cash, plus lease payments received) for the quarter was \$20 thousand compared to \$496 thousand for the same period last year.

As at February 28, 2017, the Company had a net cash balance of nearly \$2.6 million. With cash balances and unused borrowing capacity combining for just over \$2.8 million, management believes that it has sufficient capital resources to fund existing operations and anticipated capital requirements for the remainder of fiscal 2017 and into fiscal 2018.

Full financial results including Management's Discussion and Analysis and accompanying notes to the financial results, are available on www.SEDAR.com and www.thermalenergy.com.

Order and Backlog Summary

The Company had an order backlog of \$8.0 million as at April 13, 2017, compared with \$4.7 million a year earlier. The current order backlog is comprised of several heat recovery orders announced during the first half of fiscal 2017, including \$3.5 million remaining in orders from three hospital customers, and \$1.6 million from a leading ethanol producer. The order backlog also includes heat recovery orders from two pulp and paper companies totaling \$415 thousand, which were not previously announced.

The order backlog is also comprised of a number of GEM orders, which were not previously announced including, \$412 thousand in repeat business from a leading Fortune 500 food and beverage company, \$115 thousand from another food and beverage customer, and \$274 thousand in repeat business from a performance materials company.

The Company includes in "order backlog" the value of projects in respect of which purchase orders have been received but have not yet been reflected as revenue in the Company's published quarterly financial statements.

About Thermal Energy International Inc.

Thermal Energy International Inc. is an established global supplier of proprietary, proven energy efficiency and emissions reduction solutions to the industrial and institutional sectors. We save our customers money and improve their bottom line by reducing their fuel use and cutting their carbon emissions. Our customers include a large number of Fortune 500 and other leading multinational companies across a wide range of industry sectors.

Thermal Energy is also a fully accredited professional engineering firm and by providing a unique mix of proprietary products together with process, energy and, environmental engineering expertise, Thermal Energy is able to deliver unique turnkey projects with significant financial and environmental benefits for our customers.

Thermal Energy's proprietary products include; [GEM™](#) - Steam traps, [FLU-ACE®](#) - Direct contact condensing heat recovery, and [Dry-Rex®](#) - Low temperature biomass drying systems.

Thermal Energy International Inc. has offices in Ottawa, Canada as well as Bristol, U.K., United States, Germany, Italy and China. The Company's common shares are traded on the TSX Venture Exchange (TSX-V) under the symbol TMG.

For more information, visit our website at www.thermalenergy.com and follow us on Twitter at <http://twitter.com/GoThermalEnergy>.

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This news release contains forward-looking statements relating to, and amongst other things, based on management's expectations, estimates and projections, the anticipated effectiveness of the Company's products and services and the timing of revenues to be received by the Company. Statements relating to the expected installation and revenue recognition for projects, statements about the anticipated effectiveness and lifespan of the Company's products and statements about the expected environmental effects and cost savings associated with the Company's products are forward looking statements. These statements are not guarantees of future performance and involve a number of risks, uncertainties and assumptions. Many factors, some of which are outside of the Company's control, could cause events and results to differ materially from those stated. Fulfilment of orders, installation of product and activation of product could all be delayed for a number of reasons, some of which are outside of the Company's control, which would result in anticipated revenues from such projects being delayed or in the most serious cases eliminated. Actions taken by the Company's customers and factors inherent in the customer's facilities but not anticipated by the Company can have a negative impact on the expected effectiveness and lifespan of the Company's products and on the expected environmental effects and cost savings expected from the Company's products. Additional heat recovery and GEM™ steam trap projects being developed by the Company may not result in orders for the Company's products. The term "backlog" as used in this news release has the meaning given to it above and the Company's use of such term may not be comparable to "backlog" presented by other issuers who may define such term differently. Orders in the Company's backlog as described above may not turn into revenue due to many factors, some of which are outside of the Company's control, including but not limited to the Company's ability to deliver products on time and in accordance with specifications and the continuing financial viability of the customer. The Company disclaims any obligation to publicly update or revise any such statements except as required by law.

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